



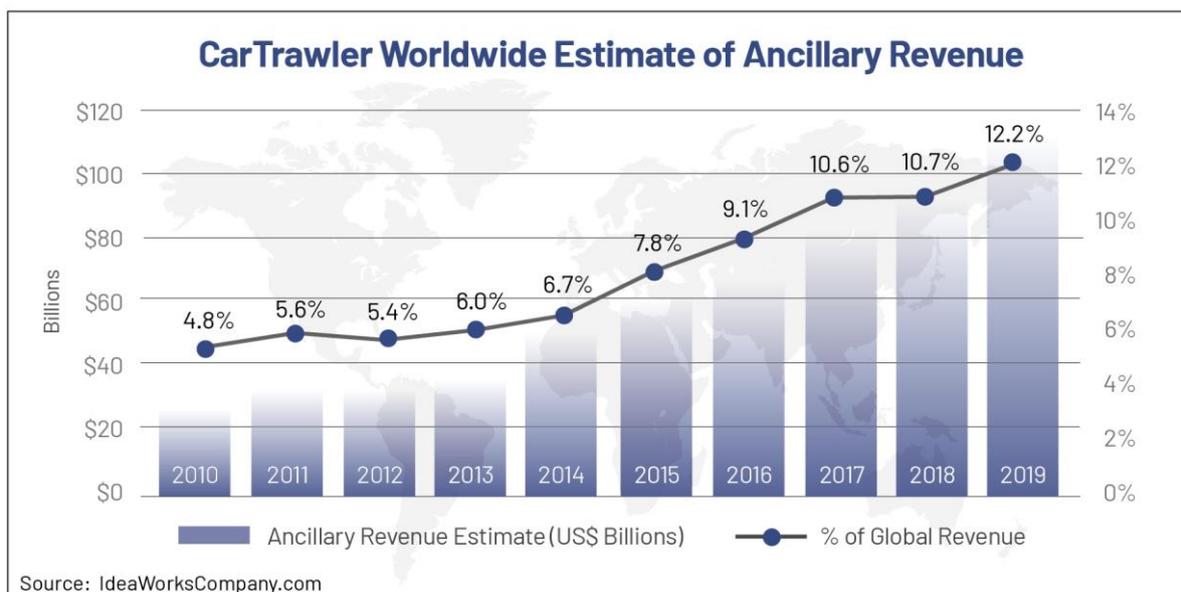
Airline Ancillary Revenue Projected to Leap to \$109.5 Billion Worldwide in 2019

The CarTrawler global estimate forecasts an 18% increase above 2018, with \$75.6 billion of the total consisting of a la carte fee activity.

Dublin, Ireland & Shorewood, Wisconsin, 19 November 2019: IdeaWorksCompany, the foremost consultant on ancillary revenue, and CarTrawler, the leading provider of online car rental distribution systems, project airline ancillary revenue will reach \$109.5 billion worldwide in 2019, compared to \$92.9 billion in 2018. The **CarTrawler Worldwide Estimate of Ancillary Revenue** represents an almost fivefold increase from the 2010 figure of \$22.6 billion, which was the first annual ancillary revenue estimate.

Earlier this year, CarTrawler and IdeaWorksCompany reported the ancillary revenue disclosed by 76 airlines for 2018. These statistics were applied to a larger list of 160 airlines to provide a truly global projection of ancillary revenue activity by the world's airlines for 2019. This marks the tenth year IdeaWorksCompany has prepared a projection of ancillary revenue activity.

Ancillary revenue is generated by activities and services that yield cashflow for airlines beyond the simple transportation of customers from A to B. This wide range of activities includes commissions gained from hotel bookings, the sale of frequent flyer miles to partners, and the provision of a la carte services – providing more options for consumers and more profit for airlines.



“Global ancillary revenue is projected to pass the \$100 billion mark in 2019, marking an almost five-fold increase in the segment’s value since 2010,” says Aileen McCormack, Chief Commercial Officer at CarTrawler. “This statistic alone underlines the significance of airlines providing a sophisticated array of ancillary products along with a superior customer experience. To put it simply, the airline industry has been transformed and carriers must now adopt a wide-ranging ancillary suite if they are to cater to individual passengers’ needs and thrive in today’s marketplace. Airlines must realize that the customer experience does not end with the flight, and the very best operators in the market are distinguishing themselves from the competition by using intelligent data insights to own the last mile.”

Analysis performed by IdeaWorksCompany during the past nine years reveals natural airline groupings based upon a carrier’s ability to generate ancillary revenue. The “percentage of revenue” results associated with four defined categories have been applied to a worldwide compilation of operating revenue disclosed by 160 airlines.¹ The following describes the four categories:

- **Traditional Airlines.** This represents a general category for the largest number of carriers. Ancillary revenue activity may consist of fees associated with excess or heavy bags, extra leg room seating, and partner activity for a frequent flyer program. The average percentage of revenue appreciably increased to 8.2% from 6.7% last year. The increase was caused by more airlines in the Americas, Asia, Europe and Middle East introducing branded fares, baggage charges, and seat assignment fees. Examples in the traditional airline category include Aeroflot, Aeromexico, China Eastern, and SAS Scandinavian.
- **Major US Airlines.** US-based majors continue to generate strong ancillary revenue through a combination of frequent flyer mileage sales, baggage fees, and seat assignments. The percentage of revenue for this group increased a full point to 15.2% from last year’s 14.2%. The revenue boost largely reflects a more complete reporting of the contribution from frequent flyer programs and co-branded credit cards. Frequent flyer program revenue disclosed by Alaska, American, Delta, Southwest, and United exceeded \$18.3 billion for 2018; the comparable 2017 figure was \$11.7 billion.
- **Ancillary Revenue Champs.** These carriers generate the highest activity as a percentage of operating revenue. The percentage of revenue achieved by this group jumped to 36.1% from 33.9% last year. The increase can be attributed to the influence of higher year-over-year results from the following carriers in this category: AirAsia Group, Jet2.com, Pegasus, Ryanair, Viva Aerobus, and Volaris.
- **Low Cost Carriers.** LCCs throughout the world typically rely upon a mix of a la carte activity to generate good levels of ancillary revenue. The percentage of revenue for this group remained unchanged at 12.4%. Low cost carriers include Jambojet, Pobeda, SpiceJet, Sun Country Airlines, and VietJet Air.

¹ Operating revenue results were drawn from research conducted by IdeaWorksCompany in its annual global review of financial filings and disclosures made by airlines.

CarTrawler Worldwide Estimate of Ancillary Revenue – by Carrier Type for 2019			
Airline Category	Total Ancillary Revenue	Frequent Flyer & Commission Based	A la Carte Activity
US Major Airlines	\$29.1 billion	\$19.8 billion	\$9.3 billion
Ancillary Revenue Champs	\$23.2 billion	\$1.2 billion	\$22.0 billion
Low Cost Carriers	\$13.2 billion	\$0.6 billion	\$12.6 billion
Traditional Airlines	\$44.0 billion	\$12.3 billion	\$31.7 billion
Global Totals	\$109.5 billion	\$33.9 billion	\$75.6 billion
<i>Source: 2018 ancillary revenue statistics extrapolated by IdeaWorksCompany to 2019 IATA global airline revenue prediction.</i>			

Ancillary revenue is nearly \$24 per passenger for 2019

IATA predicts almost 4.6 billion passengers will spend \$899 billion worldwide on air transport for 2019.² Applying the global ancillary revenue estimate to IATA’s statistic yields a result of \$23.91 per passenger. Back in 2010, the per-passenger average was a far smaller \$8.42. Ancillary revenue now represents 12.2% of global airline revenue, which greatly exceeds the 5.0% operating profit margin (EBIT earnings before interest and tax) predicted by IATA for 2019.

Ancillary revenue also equals more than half of the industry’s annual fuel bill. IATA estimates the airline industry will spend \$206 billion on fuel during 2019, which has jumped substantially from the 2017 level of \$149 billion. The sum of the industry’s global ancillary revenue provides an abundant hedge against fuel prices. Ancillary revenue also has proven to be a stable revenue source, even as passenger yields (revenue per mile) have been dropping since 2012. Competitive pressure from new airlines, capacity additions by existing carriers, and economic troubles have not affected the continued upward trajectory of ancillary revenue’s growing contribution to airline income statements.

There are risks. The results produced by any product or service can be punished by the marketplace through reduced demand, lower prices, and a drop in revenue. Traditional airlines can overreach by aggressively charging fees for services that don’t align with consumer expectations. This occurs when airlines quickly implement fees before modifying how their brand is presented. For instance, neglecting how to accommodate children when seat assignments are not purchased by parents. Low cost carriers also face risks when venturing into new areas. For example, many try to attract business travelers with premium services, such as more leg room, early boarding, and onboard treats. These higher yield customers might be tempted to fly once or twice, but if the LCC fails to deliver as promised, they will quickly return to the comfort of flying a traditional airline.

² IATA figures on this page: IATA Economy Performance of the Airline Industry, Mid-Year Report for 2017, 2018 and 2019 (amount includes airline revenue and indirect taxes) and IATA Industry Factsheet - June 2016.

The big results projected in this worldwide estimate prove ancillary revenue is a necessary and powerful component of the global airline industry. However, when consumers feel they don't have a choice, and airlines become careless about implementation and indifferent to offering good value, this mighty revenue stream could become as unpredictable as the price of jet fuel or a politician's desire to regulate.

The table appearing on page one of this press release is available as a JPG image file at the press release section of the IdeaWorksCompany.com website.

The full definition of ancillary revenue, upon which the CarTrawler Worldwide Estimate of Ancillary Revenue is based, may be viewed online at: ideaworkscompany.com/ancillary-revenue-defined

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About CarTrawler: CarTrawler is the world's leading B2B travel technology platform. Its award-winning technology brings opportunities to life by creating global online marketplaces for its 4,000 travel partners, 2,500 transport suppliers and 1 billion end customers. CarTrawler acts as a facilitator of relationships by connecting in real time to every significant transport supplier globally. These include car rental, on-demand and pre-booked taxis, shared shuttle services, bus and rail travel. CarTrawler's partners include over 100 airlines, 53 of which are in the top 100 largest globally. CarTrawler is private equity-backed by BC Partners and Insight Venture Partners. For more information visit www.CarTrawler.com.

About IdeaWorksCompany: IdeaWorksCompany boosts airline profits through innovations in ancillary revenue, a la carte pricing, and loyalty marketing. The firm was founded in 1996 and has an international client list of airlines and other travel industry firms in Asia, Europe, the Middle East, and the Americas. IdeaWorksCompany enjoys a reputation as a global resource for ancillary revenue strategy, on-site executive workshops, and research reports. Learn more at IdeaWorksCompany.com.

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